

(qq) "Undergraduate Fiscal Year Equated Students" means a figure determined for each State Institution of Higher Education by dividing 1/4 of the number of credit hours necessary to receive a four-year baccalaureate degree at that State Institution of Higher Education into the number of credit hours for which in-state undergraduate students were enrolled.

(rr) "Weighted Average Tuition Cost" or the "Weighted Average Tuition Cost of all State Institutions of Higher Education" for University Contracts means the figure arrived by:

- (1) first, multiplying the Annual Undergraduate Tuition Cost at each State Institution of Higher Education by its total number of Undergraduate Fiscal Year Equated Students;
- (2) second, adding the results of subsection (1) for all State Institutions of Higher Education;
- (3) third, dividing the result of subsection (2) by the total number of Undergraduate Fiscal Year Equated Students for all State Institutions of Higher Education.

"Weighted Average Tuition Cost" for Community College Contracts means the figure arrived by:

- (1) first, multiplying the Annual Tuition Cost at each Community College by its total number of Fiscal Year Equated Students;
- (2) second, adding the results of subsection (1) for all Community Colleges;
- (3) third, dividing the result of subsection (2) by the total number of Fiscal Year Equated Students for all Community Colleges.

(ss) "Weighted Average Tuition Cost of Complete Credit State Institutions of Higher Education" means a figure arrived at by:

- (1) first, multiplying the Annual Undergraduate Tuition Cost at each Complete Credit State Institution of Higher Education by its total number of Undergraduate Fiscal Year Equated Students;
- (2) second, adding the results of subsection (1) for all Complete Credit State Institutions of Higher Education;
- (3) third, dividing the result of subsection (2) by the total number of Undergraduate Fiscal Year Equated Students for all Complete Credit State Institutions of Higher Education.

# UNIVERSITY CONTRACT (FULL AND LIMITED BENEFITS)

## SECTION 2.

### MET's OBLIGATIONS

(a) Upon MET's acceptance of the Contract and the Beneficiary's enrollment at a Public Educational Institution, MET will pay for one-eighth (1/8) of the credit hours required for a four-year baccalaureate degree at the Beneficiary's Public Educational Institution (for Full Benefits Contracts) or Complete Credit Public Educational Institution (for Limited Benefits Contracts) at the In-State Tuition Rate multiplied by the semesters of educational benefits acquired by the Purchaser. MET guarantees to pay these educational benefits from the assets of the Plan.

(1) MET will stop providing benefits under this Contract when MET has paid the credit hours purchased, regardless of the number of credit hours the Beneficiary has accumulated toward graduation at his or her Public Educational Institution. The Beneficiary can accumulate fewer credit hours than MET has paid if the Beneficiary drops classes, fails classes, repeats classes, takes classes at another Public Educational Institution which do not transfer to the Beneficiary's Public Educational Institution or for other reasons. A standard baccalaureate degree usually consists of 120 semester credit hours (or, on average, 30 credit hours each year).

(2) MET will only pay educational benefits and provide refunds under the Contract from the assets of the Plan. The ability of MET to pay benefits and provide refunds under the Contract is not guaranteed by the State of Michigan.

### FOR LIMITED BENEFITS CONTRACTS:

(b) If a Beneficiary enrolls at a Public Educational Institution which is not a Complete Credit Public Educational Institution, MET will provide the number of credit hours MET can purchase with 105 percent of the Weighted Average Tuition Cost of all State Institutions of Higher Education based upon the Academic Year at the time of enrollment multiplied by the semesters of educational benefits acquired by the Purchaser.

(c) If a Beneficiary transfers to another Public Educational Institution, the number of credit hours the Beneficiary will have at the new Public Educational Institution will be determined at the time of transfer by:

- (1) calculating the number of credit hours the Beneficiary is entitled to at the new Public Educational Institution pursuant to subsections (a) or (b), as applicable, as if he or she were just commencing receiving MET benefits using the Weighted Average Tuition Cost of all State Institutions of Higher Education and the Annual Undergraduate Tuition Cost of the new Public Educational Institution as of the Academic Year the Beneficiary first used MET benefits,
- (2) calculating a percent equal to the credit hours already provided by MET for the Beneficiary divided by the total credit hours MET would have provided at that Public Educational Institution,



- (3) adding the percent computed under subparagraph (2) for all Public Educational Institutions which the Beneficiary has attended,
- (4) multiplying the figure calculated under subparagraph (1) by the percent calculated under subparagraph (3), and
- (5) subtracting the amount arrived at in subparagraph (4) from the amount calculated in subparagraph (1).

(d) The Beneficiary must meet the Public Educational Institution's residency requirements to be eligible for that institution's In-State Tuition Rate. The Beneficiary is responsible for the difference between the In-State Tuition Rate and out-of-state Tuition rate. If the Beneficiary attends a Community College, MET will pay, as appropriate, the In-District Tuition Rate or the Out-of-District Tuition Rate, and contact or billing hour charges (to the extent the Out-of-District Tuition Rate and contact/billing hour charges do not exceed the Average Tuition Cost).

(e) If a Beneficiary of a four-year Contract attends a Community College for not more than two Academic Years at the In-District Tuition Rate, he or she may then attend any State Institution of Higher Education and MET will pay for the credit hours necessary for a four-year baccalaureate degree. The additional number of credit hours allowed will be calculated when the Beneficiary transfers to a State Institution of Higher Education. This subsection does not apply if the Contract has been terminated.

(f) A Beneficiary of (i) other than a four-year Contract who attends a Community College, or (ii) a four-year Contract who attends a Community College for more than two Academic years may then attend a State Institution of Higher Education, but will only receive the remaining educational benefits under the Contract. This subsection does not apply if the Contract has been terminated.

### SECTION 3. PAYMENT AND CONTRACT ACCEPTANCE

(a) Contract Acceptance: MET has no obligation to the Beneficiary until it accepts this Contract. MET will accept this Contract only after it receives:

- (1) a properly completed Contract Signature Page signed by the Purchaser, who must be 18 years of age or older, a designated custodian under the Michigan Uniform Transfers to Minors Act (UTMA) (who may name the minor as the purchaser) or a court appointed conservator or guardian, and
  - (2) payment of a properly calculated Total from Item 27 of the Contract Signature Page. Payment must be in the form of a cashier's check, certified check, or money order payable to Michigan Education Trust or if enrolling online, through electronic funds transfer.
- (b) Confirmation of Acceptance: MET will send a confirmation of Contract acceptance to the Purchaser within 90 days from MET's receipt of the Contract Signature Page. If the Purchaser does not receive confirmation, the Purchaser should notify MET in writing.

### FOR LUMP SUM CONTRACTS:

(c) Insufficient Payment: If the Purchaser pays less than the total Prepaid Tuition Amount and one-time processing fee due for this Contract, MET will notify the Purchaser. If MET sends a notice, the Purchaser shall advise MET by mail, return receipt requested, that he or she will do one of the following and, if (1) is selected, enclose payment:

- (1) pay the additional amount necessary to purchase the number of semesters specified in Item 15 of the Contract Signature Page,
- (2) accept an adjusted amount of educational benefits to reflect what the actual payment submitted could purchase when MET received the payment, or
- (3) withdraw the Contract offer. MET will then return to the Purchaser the amount paid by the Purchaser (without interest).

If MET does not receive instructions and payment (if appropriate) from the Purchaser within 20 business days of the date notice is sent, MET shall reduce the amount of educational benefits consistent with subsection (c)(2).

(d) Payment Credit: Upon acceptance of this Contract, MET shall credit the Advance Tuition Payment Fund with the amount paid less the one-time processing fee.

### FOR MONTHLY PURCHASE CONTRACTS:

(e) Monthly Purchase Amounts: If the Monthly Purchase option is selected, the Purchaser will acquire educational benefits by submitting Monthly Purchase Amounts to MET. If MET accepts the Contract, MET will advise the Purchaser of the term of the Contract, the Monthly Purchase Amount, and the dates the Monthly Purchase Amounts are due. Monthly Purchase Amounts include an amount to reflect lost MET investment return, so the total amount paid will be more than a lump sum purchase. That rate of return appears in the price chart. Payments must be made in full Monthly Purchase Amounts. Partial payments will not be accepted. The Purchaser may submit Monthly Purchase Amounts early.



(f) No Obligation To Purchase: Payment of the Monthly Purchase Amounts by the Purchaser is voluntary. MET cannot compel the Purchaser to acquire educational benefits under this Contract.

(g) Benefits Earned: The Purchaser will acquire educational benefits only for Monthly Purchase Amounts accepted by MET. Each Monthly Purchase Amount accepted by MET will earn the following percentage of the years of Tuition to be purchased by this Contract:

<u>Contract Term</u>	<u>Percent Purchased (Rounded)</u>
4 years	2.08%
7 years	1.19%
10 years	0.83%
15 years	0.56%

(h) Acceptance Of Payment: Upon acceptance of a Monthly Purchase Amount, MET will deposit the Monthly Purchase Amount in the Beneficiary's account.

(i) Late Payments: If a Monthly Purchase Amount is not paid by its due date, MET will accept the payment only if it is made within 60 days of the due date and is accompanied by a \$10.00 late fee.

(j) Failure To Make Payments: If any Monthly Purchase Amount (and any late fee due) is not paid within 60 days of its due date, the Purchaser will lose the opportunity to submit any further Monthly Purchase Amounts under this Contract. Should that occur the Purchaser has 60 days to pay the Contract in full. Thereafter, MET will not accept any payments under the Contract.

(k) Full Payment Option: As long as the Purchaser has not lost the opportunity to make monthly purchases under Section 3(j), the Purchaser may pay the Contract in full by submitting all unpaid Monthly Purchase Amounts to MET. If the Purchaser pays the entire balance due more than one year before the final payment is due, MET will provide the Purchaser an early payment discount. The Purchaser must submit a written request for a reduced early payoff amount, which will be based on the date payoff is expected to be received by MET.

(l) Contract Term: The term of monthly purchases must end before the Academic Year the Beneficiary is projected to attend a Higher Education Institution.

#### **SECTION 4. MAXIMUM AMOUNT OF BENEFITS**

A Beneficiary may not accumulate more than four years of MET educational benefits.

#### **SECTION 5. NOTIFICATION OF INTENT TO RECEIVE EDUCATIONAL BENEFITS**

(a) A Beneficiary who intends to begin using educational benefits at the start of an Academic Year must notify MET in writing by June 1 prior to that Academic Year.

(b) A Beneficiary who intends to begin using educational benefits other than at the start of an Academic Year must submit a written request to receive benefits at least three months before the requested commencement date.

#### **SECTION 6. TRANSFER TO AN IMMEDIATE FAMILY MEMBER**

(a) Any unused educational benefits may be transferred, with MET's written approval, to an Immediate Family member, if:

- (1) the Beneficiary dies or becomes Disabled, or
- (2) the Beneficiary reaches 18 years of age or receives a high school diploma.

(b) The Beneficiary must request a Transfer. A mentally disabled Beneficiary or a Beneficiary under 18 years of age must be represented by a legal guardian. If the Beneficiary has died, the Refund Designee (or, if the Refund Designee is deceased, the personal representative of the Refund Designee) may request a Transfer. The Transfer shall be subject to:



- (1) payment of a Transfer fee, if any, and
- (2) payment to MET of the amount necessary to reimburse MET for any additional expense or loss of income associated with the Transfer to an older Beneficiary.

If a Contract is transferred to an older Beneficiary who was ineligible for a Contract when the Contract was purchased, the additional amount charged will be:

(i) the highest Tuition charged at a State Institution of Higher Education among all State Institutions of Higher Education (for Full Benefits Contract) or a Complete Credit Public Educational Institution (for Limited Benefits Contract) in the enrollment period purchased minus the amount the Purchaser paid for one year of educational benefits;

(ii) add the amount determined in subparagraph (i) to the loss of investment income for the period from the date the Contract was accepted until the date of Transfer. The rate of return assumed will be the rate of return stated in the price chart;

(iii) multiply the amount determined in subparagraph (ii) by the number of years and/or fraction of year being transferred.

(3) the Person requesting the Transfer and the proposed New Beneficiary (or the parent or guardian of the New Beneficiary if the New Beneficiary is a minor) must certify in writing that no payment has been or will be made to anyone (except MET) for the Transfer.

(c) After the Beneficiary has earned more than one-half (½) of the credit hours required for the awarding of a baccalaureate degree at the Beneficiary's State Institution of Higher Education, transferred educational benefits may only be used at a Public Education Institution or the contract terminated for a refund payable only to a Higher Education Institution. No other use or refund is permitted.

#### **SECTION 7. TERMINATION AND REFUNDS**

(a) Reasons For Termination: This Contract may be terminated upon written request to MET by the Beneficiary (or a Person with legal authority to act regarding subsection (a)(4)) if:

- (1) the Beneficiary has reached 18 years of age or has received a high school diploma and certifies that he or she will attend an Independent Degree-granting College or University and directs payment of any refund to that institution,



(2) the Beneficiary has reached 18 years of age or has received a high school diploma and certifies that he or she will attend an Out-of-State Institution of Higher Education,

(3) the Beneficiary has reached 18 years of age or has received a high school diploma and certifies that he or she will attend a Higher Education Institution with a full tuition scholarship,

(4) the Beneficiary has died or is Disabled,

(5) the Beneficiary has reached 18 years of age or has received a high school diploma and certifies one of the following:

(i) he or she does not plan to attend a Higher Education Institution,

(ii) he or she will attend an Independent Degree-granting College or University, but directs payment of the refund to the Refund Designee, or

(iii) he or she will attend a Community College, or

(6) the Board approves a Termination for any other reason.

**(b) Refund Amount:**

(1) the refund amount shall be, as appropriate, Weighted Average Tuition Cost, Weighted Average Tuition Cost of Complete Credit State Institutions of Higher Education, Average Tuition Cost, or Lowest Tuition Cost for the last full Academic Year before refund payments begin multiplied by the years of educational benefits acquired by the Purchaser. If all Monthly Purchases have not been made, MET will reduce a Monthly Purchase Contract refund accordingly (determined by multiplying the Monthly Purchases actually made by the appropriate percentage in section 3(g)). Any Termination fee will be deducted from the first refund payment.

**FOR FULL BENEFITS CONTRACTS:**

(2) if the Contract is terminated pursuant to subsection (a)(1), the refund shall be based on Weighted Average Tuition Cost.

(3) if the Contract is terminated pursuant to subsection (a)(2) or (a)(3), the refund shall be determined annually based on:



(i) if the Beneficiary directs payment to an out-of-state Institution of Higher Education or certifies that he or she will attend a Higher Education Institution with a full tuition scholarship in the coming year, Average Tuition Cost, and

(ii) for Beneficiaries not covered by subsection (b)(3)(i), Lowest Tuition Cost.

(4) if this Contract is terminated pursuant to subsection (a)(4), (a)(5), or (a)(6) the refund shall be based on Lowest Tuition Cost.

**FOR LIMITED BENEFITS CONTRACTS:**

(5) if the Contract is terminated pursuant to subsection (a)(1), the refund shall be based on Weighted Average

Tuition Cost of Complete Credit State Institutions of Higher Education.

(6) for all other terminations, the refund shall be based on Lowest Tuition Cost.

(7) a refund shall not, in total, be less than the Prepaid Tuition Amount.

**(c) Refund Payment Procedure:**

(1) a refund under subsection (a)(1) or (a)(5)(iii) shall be made to the Beneficiary's Higher Education Institution to pay Tuition and Mandatory Fees. However, the total amount paid shall not exceed the maximum refund due. MET will pay the Refund Designee any portion of the refund remaining on August 15 of the fourth year following the last full Academic year before the refund commenced, unless deferred by the Beneficiary in writing.

(2) a refund under subsections (a)(2), (a)(3), a(5)(i), (a)(5)(ii), or (a)(6), shall be divided by four and made in four annual installments as follows:

(i) if an annual installment is to be paid to the Higher Education Institution, the annual installment will be distributed as necessary to pay Tuition;

(ii) any balance remaining after paying Tuition for an Academic Year shall be paid at the end of the Academic Year to the Refund Designee unless deferred by the Beneficiary in writing;

(iii) or any annual installment not paid to a Higher Education Institution during the year shall be paid at the end of the Academic Year to the Refund Designee unless deferred by the Beneficiary in writing;

(iv) if payment is directed to the Refund Designee, the annual installment will be paid by August 15.

(3) for a refund under subsection (a)(4), a lump sum refund shall be paid within sixty (60) days after MET's approval of the Termination.

(d) Adjustment for Benefits Received: Any refund shall be reduced by the amount of educational benefits paid by MET before termination. If the Contract is terminated under subsections (a)(2), (a)(3), (a)(5)(i) or (ii) or (a)(6), the reduction shall be made in equal amounts against each annual installment.

(e) Terminated Contract: Once a Contract has been terminated and MET has paid a full or partial refund, the Contract cannot be reinstated.

(f) Limitation of Right to Terminate and Receive a Refund: Termination of this Contract and payment of a refund will be restricted if the Beneficiary has completed more than one-half (1/2) of the credit hours required by the Beneficiary's State Institution of Higher Education for the awarding of a baccalaureate degree. The Contract can be terminated for a refund payable to a Higher Education Institution as defined in this Contract. Any terminated refund amount not paid to a Higher Education Institution is forfeited. This subsection shall not, however, preclude a graduate of a Community College, who has not enrolled in a State Institution of Higher Education from terminating a Contract.

(g) Notice of Termination: A Beneficiary who requests a refund under subsections (a)(1), (2), (3), (5), or (6) must give MET written notice by July 15 prior to the Academic Year in which the refund payments are to commence or the refund may not be available at the start of the Academic Year.

(h) Before the Beneficiary reaches 18 years of age or has received a high school diploma, the Purchaser may request that the Board terminate the Contract. If the Board, in its discretion, approves the request, the Refund Designee will only receive the Prepaid Tuition Amount.

## **SECTION 8.**

### **TERMINATIONS BY MET**

(a) Fraud: MET will terminate the Contract and refund the amount paid by the Purchaser less a Termination fee and educational benefits used, if any of the following have been fraudulently stated on a Contract Signature Page or otherwise:

- (1) the age of the Beneficiary or Purchaser,
- (2) the grade of the Beneficiary,
- (3) the Academic Year which the Beneficiary is to receive benefits under the Contract,
- (4) the residency of the Beneficiary at the time the Contract is submitted to MET, or
- (5) other matters as determined by the Board.

(b) FIFTEEN YEARS TO USE BENEFITS:

(1) FIFTEEN (15) YEARS AFTER THE JULY 15 IMMEDIATELY BEFORE THE ACADEMIC YEAR SPECIFIED IN ITEM 21 OF THE CONTRACT SIGNATURE PAGE, MET WILL TERMINATE THIS CONTRACT AND WILL NOT PAY ANY FURTHER EDUCATIONAL BENEFITS.

(2) At that time, MET will pay the Refund Designee the Prepaid Tuition Amount to the extent it exceeds any educational benefits or refund paid under the Contract. MET may pay the refund at the end of the Academic Year in which the Beneficiary has completed all credit hours acquired under the Contract.

(c) Actuarial Unsoundness: To protect Purchasers and Beneficiaries, an actuarial review of the Plan shall be made annually. If a nationally recognized actuary determines that Plan D does not have sufficient funds to ensure the actuarial soundness of the Plan and the Board determines that there are insufficient numbers of new Contracts to ensure the actuarial soundness of Plan D, MET shall terminate all Plan D Contracts and prorate the assets of Plan D among the existing Contracts. If Plan D is liquidated, the amount to be returned is uncertain and could be less than the Prepaid Tuition Amount. Upon Termination pursuant to this subsection, MET will stop providing educational benefits from the Plan and will pay refunds determined as follows:



(1) MET will calculate the Contract's "Asset Value," which is the amount paid by the Purchaser less any educational benefits or refunds paid by MET.

(2) The refund will be a percentage of the amount of the total Plan assets after liquidating all of the Plan investments. The percentage is determined by dividing the Asset Value of this Contract by the Asset Value of all Plan Contracts. The refund shall be applied, at the option of the Refund Designee, either toward the purposes of this Contract for the Beneficiary or paid to the Refund Designee.

## **SECTION 9.**

### **ANNUAL REPORT**

MET will have an accounting of MET assets prepared annually and make it available to the Purchaser.

## **SECTION 10.**

### **CONTRACT NOT SUBJECT TO JUDGMENT OR ATTACHMENT**

It is the intent of the parties that this Contract shall not be subject to any judgment or attachment against the Purchaser, the Beneficiary, or any other Person.

## **SECTION 11.**

### **FEES**

(a) The Board may impose fees for the purpose of administering MET. For two fees, the Board has established these maximum amounts:

Transfer fee	\$100.00
Termination fee	\$200.00

(b) The Termination fee and any other applicable charge shall be deducted from the first refund payment.

## **SECTION 12.**

### **CHANGE OF ADDRESS**

The Purchaser or the Appointee shall notify MET in writing of any change of address of the Purchaser, the Beneficiary or the Appointee.

## **SECTION 13.**

### **GENERAL TERMS**

(a) This Contract is offered pursuant to the Act and the administrative rules promulgated under the Act. This Contract should be read so that it meets the requirements of Section 529 of the United States Internal Revenue Code, any successor provision, and any applicable Internal Revenue Service regulation.

(b) Nothing in the Act or this Contract shall be construed as a promise or guarantee by MET or the State that a Beneficiary will be admitted to any or a particular Public Educational Institution, will be allowed to continue to attend a Public Educational Institution after having been admitted, or will graduate from a Public Educational Institution.

(c) This Contract may not be sold for any reason. This Contract may not be used as security for any loan.

(d) The Purchaser may change the Appointee upon written request to MET.

(e) If the Purchaser has designated the Beneficiary as the Refund Designee, the Purchaser cannot change that designation.

(f) This Contract represents the entire understanding of the parties to this Contract and may not be modified except in writing signed by the Purchaser and an authorized MET representative.

(g) If any portion of this Contract shall be found to be invalid or unenforceable by any court, that portion shall be severed from the Contract and the remainder of the Contract will remain in full force.

(h) The captions in this Contract are for convenience only and in no way limit the intent of any provision of this Contract.

(i) This Contract is to be interpreted under the laws of the State.



#### **SECTION 14.**

#### **ATTENDANCE AT A PUBLIC EDUCATIONAL INSTITUTION WITHIN TWO YEARS OF PURCHASE**

(a) If a Beneficiary of a Full Benefits Contract is expected to enter college within two years of purchase, Prepaid Tuition Amount shall be based on the tuition at the State Institution of Higher Education with the Highest Annual Undergraduate Tuition Cost.

(b) If the Beneficiary covered by subsection (a) does not attend the State Institution of Higher Education with the highest Annual Undergraduate Tuition Cost, MET may refund the difference between the Prepaid Tuition Amount and the Tuition (if less) paid to a Public Educational Institution by MET, if the Board determines the refund won't adversely affect the Plan's actuarial soundness. This subsection does not apply if the Contract has been terminated.

**Questions?**

**Call 1-800-MET-4-KID**

**(800-638-4543)**

**or visit [www.SETwithMET.com](http://www.SETwithMET.com)**